

AR32



Boise Cascade Canada Ltd.

Foreword

We are approximately 3160 people who comprise a forest products company that grows and harvests trees to produce pulp, paper and building materials which are sold in Canada and throughout the world.

In 1979 our sales were \$257 million.

Our timber base in Ontario and New Brunswick totals nearly four million acres most of which is controlled through long term cutting rights on Crown Lands.

At pulp and paper mills at Fort Frances and Kenora, Ontario, and Newcastle, New Brunswick, we produce printing and publishing papers, newsprint and market pulp.

A sawmill at Keewatin, Ontario, manufactures 2 x 4 studs for residential and commercial use and railroad cross ties.

We are headquartered at Fort Frances, Ontario, and are a wholly owned subsidiary of Boise Cascade Corporation of Boise, Idaho, U.S.A.

Our heritage dates back to 1912, but we are a modern company ready to meet the demands and responsibilities of Canada in the 1980s.

For Boise Cascade Canada, 1979 was a year of achievement and frustration.

Our operating results improved over the previous year despite spiraling cost increases for raw materials, energy and labour and the negative impact of strikes at our Ontario operations.

Sales were \$257 million and operating income was \$20.2 million. Our production reached 690 thousand tons of pulp and paper and 16 million feet of studs and ties. At year end our work force totalled 3,160.

Markets for our pulp and paper remained strong throughout the year, a pleasant surprise against predictions of a recession. The one exception was in wood products manufacturing where the year end decline of housing construction softened price and demand for saw-mill products.

In 1979 we continued our substantial capital investment program. During the year we spent more than \$47 million for new equipment and facilities—a major portion of that was an extensive rebuild of our Newcastle, New Brunswick, pulp mill. In the last two years our capital spending in Boise Cascade Canada has approximated \$90 million, tangible evidence of our commitment to the future.

A report on our financial results, capital spending and production is presented in the statistical section.

But numbers tell only part of the story of 1979.



Harry W. Sherman

Harry W. Sherman
President

Early in the year we initiated a series of programmes focused on improving communications, labour-management relations, safety, training, personnel policies and general mill housekeeping. This effort has come to be known as "People and Machines," an investment in people to complement our expenditures on new equipment.

We want to be known as a company that cares about people, that maintains and modernizes its facilities and earns a decent return on investment.

Employee Task Forces worked throughout the year to improve working conditions and the climate for constructive labour-management relations. It is encouraging at year end to report that at all levels the desire to improve relations is highly evident.

We have improved our personnel hiring practices and intensified new employee orientation and safety training. We have begun efforts to re-establish contact with our retired employees, and we have stepped up the flow of information to everyone.

The thrust of all these efforts is to assure that our people are properly trained, treated fairly, have good working conditions, pay and benefits and an opportunity to grow with Boise Cascade Canada.

At the present time our workers are among the highest paid in wages and benefits among the Canadian forest products industry.

In preparation for labour contract negotiations at all our pulp and paper mills in 1980, the company has worked with union representatives to find innovative new approaches to improve the bargaining process. It was evident that failure to explore new ideas could only prolong the historic cycle of deadlock and strike.

The woodworkers strike in Ontario which began in 1978 and carried over into 1979 is an example of the need for improved understanding and negotiating processes.

That strike benefited no one, and emotions clouded the basic issues and facts.

In 1980 Boise Cascade Canada faces many challenges.

Despite the uncertainties of the economy we anticipate running our pulp and paper mills at near capacity. We have not seen any significant softening of demand and our customer inventories remain relatively low.

For wood products the outlook is not so bright. Price and demand continue soft due to the down turn in housing starts in the United States and Canada.

Our principal objectives for 1980 are:

1. Increase productivity of labour and machines at all stages of harvesting and processing.
2. Improve labour relations, community relations, and governmental relations.
3. Ensure adequate fibre supply at reasonable cost.
4. Improve return on capital.

Boise Cascade Canada has the quality of people, the capacity in machines and the availability of good markets to attain those stated objectives. I believe the year 1980 should be one that the company can look upon with pride and a genuine sense of accomplishment.



Woodlands

Canada has one of the world's largest and most productive forests. Nature provides for the constant renewal of this precious resource through abundant natural regeneration, following storms, fire, other natural disturbance and man's harvest.

Man's role in forest management in Canada is that of a helper. Foresters plant nursery grown seedlings, for example, in those areas where nature does an incomplete job of regeneration.

They also thin stands at selected intervals to aid trees in their struggle against crowding. Laboratory and field research has led to the development of new strains of fast growing, disease resistant seedlings. And new techniques and tools are now available to reduce losses of valued timber to fire, insects and disease.

These are but a few of the elements of a science called silviculture. As principal land owners, the provincial governments take primary responsibility for silvicultural investment and benefits in Canadian forests. And, because industrial forest tenants such as ourselves also are interested in forest productivity, silvicultural activities on leased lands are usually cooperative ventures.

Since most of our wood requirements are filled by timberlands under provincial license to us, we are, needless to say, willing partners in the care and cultivation and renewal of Canada's most precious resource—her magnificent forests.





In total, Canada has some 600 million acres of productive forest land, of which about two million acres are harvested each year. On the average, another 300,000 acres are burned, and probably an equivalent amount is devastated by disease and insect infestation.

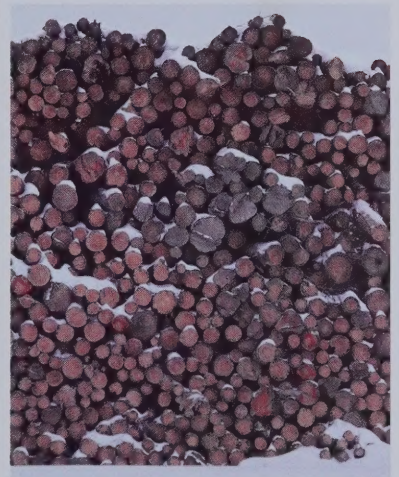
We of Boise Cascade Canada have harvesting rights on over 3.8 million acres of it.



Our pulp and paper complex at Fort Frances derives its precious wood fibres largely from long-term harvesting rights on 2.8 million acres of Crown timberlands in the province of Ontario, primarily spruce and jack pine from license areas in the province's north-western sector. The mill on the Rainy River supplements this wood with yields from 8,000 acres of company-owned land in Ontario and additional timber purchases in Ontario, Manitoba and Minnesota.

Kenora's wood requirements are likewise partially filled from harvests on the 2.8 million acres licensed to us by the Ontario government. Most of the logs destined for the grindstones and chippers at Kenora come from the Lake of the Woods area in the North-western part of the province.

The Newcastle pulp mill derives over half its wood requirements from 24,000 acres of New Brunswick timberland owned in fee and 936,000 acres under license from the province. The spruce and balsam fir logs primarily used at the mill on the Miramichi River are harvested by 390 woodlands employees. Most of the remaining needed fibre is supplied by private woodlot owners in the area, supplemented by residues from local sawmill operations.





Manufacturing

Boise Cascade Canada has a long established reputation as a manufacturer of high quality pulp and paper products.

From our seven pulp and paper machines we produce market pulp and publishing papers for some of the world's best known magazines and newspapers plus many paper grades for other uses.

The output of our two pulp mills is used by other paper companies in North America and Europe to make various grades of papers.

Paper making is an old and exacting science. The scale we work with is large—beginning with trees as tall as 100 feet. Paper machines can be a city block long and a paper mill complex the size of a small town. Our finished products fill boxcars, semi-trucks and ocean going ships with rolls, some weighing as much as 3500 pounds.

All this takes big equipment and highly skilled people. We know that to maintain our standards, and those of our customers, quality is as important as quantity.

We're proud to be known as papermakers.

Fort Frances

Our southernmost Ontario pulp and paper mill is located on the Rainy River at the U.S./Canadian border. The three paper machines, a groundwood and kraft pulp mill are run by 1,150 men and women. The facility has the capacity to produce over 900 tons of pulp and paper per day.

Some three quarters of the pulp is groundwood and winds up on the paper machines at Fort Frances. The remainder is bleached and unbleached kraft pulp, some of it destined for the Boise Cascade International Falls, Minnesota, mill across the river, some for the machines at Kenora and some sold as market pulp to various Mid-western paper mills in the U.S.





Although known as a specialty groundwood mill, which may undergo as many as five grade changes a day, Fort Frances also produces high-quality newsprint. Its major manufacturing profile, though, includes base stock for coating and eventual use as magazine paper, paperback publishing grades and foil-adherent paper for conversion into beer bottle labels.

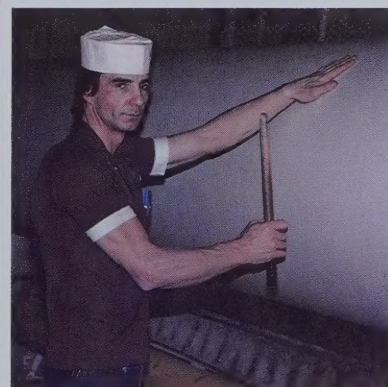
Improvement projects at Fort Frances last year, following hard on the heels of sizable investment expenditures in 1978, included:

- A \$2.7-million rebuild of the No. 7 paper machine to increase efficiency and speed, reduce operating costs and enhance product quality. The machine turns out groundwood publishing grades for such national publications as *Reader's Digest* and *TV Guide*, as well as a large volume of coating-base stock for the Blandin Corporation.
- New thick stock pumps installed in the kraft mill.
- The start-up of a new Save-All system to reclaim paper mill fibres.
- The completion of major roofing, insulation, fencing and painting programmes throughout the complex.

We number among our paperback publishing customers the largest in the field, among them Bantam Books, New American Library "Signet," Avon, Ballantine, Pocketbooks, Fawcett, Ace Books and Viking-Penguin.

Moving along to the magazine racks, chances are good that you'll be handling Fort Frances paper if you pick up the current issue of both the U.S. and Canadian editions of *Reader's Digest* and *TV Guide*, Canada's *TV Times*, *Changing Times*, *National Lampoon*, *Mother Earth News*, *Rolling Stone*, *Billboard*, *Sporting News*, *The Liquorian*, *Farmer's Digest* and the *Elks Magazine*, to name just a few.

In the area of hardcover books, paper off Fort Frances' machines is used in *Reader's Digest Condensed Books* (both Canadian and American). If your children's primers include some published by Whitman Books or Scholastic Books, they're probably printed on Fort Frances paper. And the next bottle of Michelob, Molson's, Labatt's or Miller's you see will probably carry a label made from paper manufactured on our No. 6 paper machine.





Kenora

Boise Cascade Canada's pulp and paper mill at the North-eastern outlet of Ontario's Lake of the Wood employs 1,090 people. They operate three paper machines and a groundwood-sulfite pulp facility. Although the mill's standard product is newsprint—about 735 tons of capacity per day—it also has the capability of turning out specialty groundwood paper for paperback publishing customers usually serviced out of Fort Frances.

The pulp mill produces both the groundwood variety, which is the chief ingredient of Kenora's newsprint, and high-yield, sodium-based sulfite fibres.

Almost all of Kenora's product, mainly 30 lb. newsprint, heads directly to the huge, high-speed printing presses of Mid-western U.S. newspaper publishers. Among the Kenora mill's larger customers can be counted the Minneapolis Star, St. Louis Post-Dispatch, Des Moines Register and Tribune, Kansas City Star, Denver Rocky Mountain News and Omaha World-Herald.

The streamlining of Kenora's widest and fastest running machine early in 1980 at a cost of about \$3.5 million will have a major impact on the mill's capacity. This rebuild involved installation of a new headbox and calender stack and modifications to the press section and dryers.



Last October saw the completion of a \$2.8 million fluo-solids burner project at Kenora, begun in May of 1977 and brought on line a full eight months ahead of schedule. An energy system fueled entirely by wood wastes was installed, reaping for the mill important environmental benefits as well as significant energy savings. Fed by waste materials channeled into the system from Boise Cascade Canada's nearby Keewatin sawmill, the new facility efficiently captures the thermal benefits of the discarded materials and converts them into process steam for paper production.

Keewatin

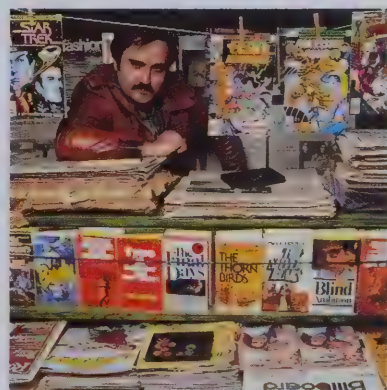
A stud and tie mill employing some 70 people in Keewatin is another Boise Cascade Canada operation in the Kenora area. Wood for the sawmill comes from the same sources that supply the paper mill.

Certain logs have the highest end product value as solid wood products rather than paper. This mill produces 2 x 4 studs for residential and commercial construction and also produces railroad ties.

Nothing is wasted. Sawmill residuals such as slabs and ends are converted into chips and transported to the mill at Fort Frances.

Newcastle

The company's kraft pulp mill on the Miramichi River borders Newcastle, in the center of New Brunswick's Northumberland County. Here, a \$50 million improvement programme was completed in late 1979, boosting the mill's capacity from 450 to 535 short air-dried tons per day.



The revitalization programme marks a comeback for the Newcastle mill's approximately 300 employees on-site and as many as 550 in the New Brunswick forest at the peak of cutting season. The mill had been owned and operated by an international consortium, of which Boise Cascade Corporation was a member from 1970 until the end of 1978, when it was purchased outright by Boise Cascade.

The way was paved for badly needed improvements throughout the mill to eliminate inefficient equipment and minimize labour-intensive production bottlenecks. Operating inefficiencies and a poor pulp market forced the shutdown of the mill's No. 1 pulp line. And the rebuilding process began.

The overall cost of \$50 million for Newcastle's intensive overhaul included \$12 million for a new woodroom, \$8 million for a new bleach plant and \$6.5 million for converting a boiler to burn bark, and effluent sludge instead of more costly oil. A new 750-foot-long flume now transports logs from delivery trucks or woodyard storage to the mill's barking drums. The pulp machine features a new pulp cleaning and thickening system plus modernization of the bale finishing equipment.

As a result of this programme and the efforts of our employees the Newcastle mill is now hitting production well above 500 tons per day and has exceeded 600 tons. Improvement in efficiency and reduction of costs have made this mill a viable production unit.

Much of the new tonnage—greatly improved in quality and strength—moves by seagoing vessel to paper manufacturers in Germany, Italy and the United Kingdom. Among them are West Germany's Haindl Papier Fabriken Schongan, and Bowater Ltd. in London. Boise Cascade Canada's market pulp customers in North America include CPM of Claremont, New Hampshire, Merrimac Paper Company of Lawrence, Massachusetts and, closer to home, McMillan Rothesay Ltd., Saint John, New Brunswick.

In the future, Boise Cascade Canada Ltd. plans to implement additional improvements at each mill location. Various long-range projects currently under consideration include thermomechanical pulping systems, kraft mill expansions, new wood handling systems, additional paper machine rebuilds, hog fuel processing and unloading equipment, electric generating facilities, new boilers, computers and automatic scanners. Boise Cascade Canada is committed to meeting industry competition internationally as well as in Canada. Investments in modern technology and equipment, maintenance of facilities, and development of people will insure the achievement of this objective.



Statistical Information 1979

		1979	1978
Sales		\$257,000,000	\$200,000,000
Operating Income (before income taxes and interest)		\$ 20,200,000	\$ 6,700,000
Capital Expenditures		\$ 47,000,000	\$ 42,000,000
Total Compensation Salaried & Hourly		\$ 78,511, 000	\$ 75,961,000
Number of Employees		2,869	3,500
Pulp and Paper Production Capacity (tons)		690,000	690,000
Paper Sales Volumes (tons)	Printing and Publishing Papers	223,000	215,000
	Newsprint	215,000	199,000
	Market Pulp	223,000	219,000
Lumber Production (board feet)		16,000,000	20,000,000
Timber Resources	Timberlands owned in fee (acres)	32,000	32,000
	Provincial Government licences (acres)	3,806,000	3,777,000
	Pulpwood from the above acreages (cords)	48,788,000	48,678,000

Juan del Valle

Executive Vice President
Boise Cascade Corporation
Boise, Idaho

Kenneth H. Woodley

Group Vice President
Northern Telecom Canada
Toronto, Ontario

John R. Forrest

Senior Vice President
Boise Cascade Corporation
Boise, Idaho

Stanley Ward

Assistant Secretary and
Assistant Treasurer
Boise Cascade Canada Ltd.
Fort Frances, Ontario

Dr. Georg Holzhey

Managing Director
Haindl Papier GmbH
Augsburg, Germany

Philip Gordon

Former Senior Vice President and Director
Shell Canada Ltd.
Toronto, Ontario

Robert E. Membery

Vice President
Petrosar Limited
Sarnia, Ontario

Sen. Alan A. Macnaughton

Senator, Lawyer-General Counsel
Martineau, Walker, Allison, Beaulieu,
Mackell and Clermont
Montreal, Quebec

Will M. Storey

Executive Vice President
Boise Cascade Corporation
Boise, Idaho

K. Peter Norrie

Senior Vice President
Boise Cascade Corporation
Portland, Oregon

F. G. Williams

Chairman of the Board
Boise Cascade Canada Ltd.
Fort Frances, Ontario

Head Office: Boise Cascade Canada Ltd.
1455 Idylwild Drive
Fort Frances
Ontario
P9A 3M3

Design: Stephen Shewchuk
Marlborough Graphics Limited

Photography: Tim Saunders
Richard Vroom

Typesetting: Cooper & Beatty, Limited

Printing: Herzig Somerville Limited

